Intelligence MEMOS

From: Glen Hodgson

To: Economy Watchers

Date: June 24, 2025

Re: **An Indigenous Development Bank Would Speed Reconciliation and Major Projects**

The Carney government has committed to accelerating and strengthening investment across the economy and greater investment in energy and other natural resource development is central to this commitment.

The recent Speech from the Throne indicated the federal government intends to create a new Major Federal Project Office charged with championing projects that build the national economy, with the goal of reducing project approval time from five years to two. The Office is also expected to meet high environmental standards and fully respect the government's constitutional obligations to Indigenous peoples.

Respecting the rights of Indigenous peoples and ensuring high environmental standards are the minimum necessary conditions today for building public trust, and guiding the successful approval and implementation of major resource projects. This means that securing informed, prior consent from affected Indigenous nations and communities will be a fundamental task for the Office. If projects are treated as a national priority and are actively managed, there is no obvious reason why a final decision could not be reached within the new two-year time frame.

But that's just a start.

It's time to advance from what is necessary for Indigenous engagement, to exploring what is sufficient – the best way to accelerate direct Indigenous engagement and investment in resource development and other projects that build economic reconciliation. Making Indigenous nations, communities, and people direct stakeholders in sustainable resource development would generate the widest possible economic and social benefits and help to ensure project success. This means making it possible for Indigenous peoples to take a direct financial interest in resource development and specific projects, which in turn will require helping them gain access to financing on acceptable terms.

The federal government thus plans to double the recently created Indigenous Loan Guarantee Program from $5 billion to $10 billion, enabling more Indigenous communities to become owners of major projects.

While this commitment is important, it still falls well short of the scale and breadth of financing needed to make meaningful progress on sustained economic reconciliation. The overall Indigenous economy faces a significant financing gap – the difference between identified demand, and available financing on commercial terms and conditions comparable to those faced by non-Indigenous borrowers. Our recent research for the First Nations Financial Management Board estimated the Indigenous financing market gap to be $50 billion or higher.

There are legal, financial, and cultural barriers to Indigenous access to financing. Restrictions on asset ownership under the *Indian Act* limit the ability of Indigenous businesses and entrepreneurs to leverage on-reserve assets. There are fundamental creditworthiness barriers, such as a limited financial track record for prospective Indigenous borrowers. And historical and cultural barriers translate into Indigenous clients not receiving fair and unbiased treatment from non-Indigenous financial institutions. While there are numerous Indigenous financial institutions scattered across the country, they generally have small capital bases and limited scope of regional and product coverage.

To fill the significant market gap, a new pathway is required, shifting away from heavy reliance on budgetary funding and subsidies, and toward more innovative resource mobilization and access to capital. Loan guarantees are useful, but the best approach would be for the federal government to establish an Indigenous Development Bank (IDB), modelled on effective national development banks in many countries.

The Indigenous economy has financing needs beyond resource development. Indigenous businesses are able to access less than a tenth of market-based financing compared to comparable Canadian non-Indigenous firms. They need better access to basic business financing such as investment funding, working capital, and bonding. Enhanced financial access is also needed for Indigenous nations, communities, on-reserve infrastructure, and housing.

An IDB, operating on broad commercial principles, could mobilize financing for overall Indigenous economic development. It could provide financing for Indigenous investment in resource and infrastructure projects, and for business startups; firm operations and expansion; development of value chains; and financing for Indigenous Nations, communities, infrastructure, and housing. It could provide an array of financing options including loans, loan guarantees, equity investments, and project bonding.

To be credible, the IDB should be Indigenous-led, with Indigenous leaders playing a central role in its governance and within management. Ideally, the bank would build overall Indigenous financing capacity by working with the existing commercial financial system, complementing and mobilizing other sources of financing through guarantees and other risk-sharing arrangements, and not simply be a lender of last resort or a market competitor.

If Indigenous peoples are to play a meaningful role in Canada's domestic growth and investment strategy, now is the time for bold action. Establishing an Indigenous Development Bank is the best policy option.

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